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CENTRAL INTELLIGENCE AGENCY

REPORT NO.

INFORMATION REPORT

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COUNTRY Czechoslovakia/USSR

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Supplementary Protocol of 4 February 1949

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or: the Protocol of 4 February 1949, supplementing the quotas established in Lists No. 1 and 2 of the Czech-Soviet Trade Treaty for 1949, which was concluded on 8 October 1948; the proposal of the Czechoslovak Ministry of Foreign Trade of 10 March 1949 recommending the approval of this Protocol by the Czechoslovak Republic; and the report of the Czechoslovak Ministry of Foreign Trade explaining the reasons for the Supplementary Protocol of 4 February 1949.

TRANSLATION

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THE SUPPLEMENTARY PROTOCOL OF 4 FEBRUARY 1949

In accordance with the request of the Czechoslovak Republic to increase the amount of merchandise exchanged between Czechoslovakia and the USSR, the signing plenipotentiaries have reached the following accord:

1. The USSR, in addition to the quotas specified in the protocol of 8 October 1948, shall deliver to Czechoslovakia during 1949 the merchandise specified in List I attached to this protocol.
2. The ~~Czechoslovak Republic~~ Czechoslovakia, in addition to the quotas specified in the protocol of 8 October 1948, shall deliver to the USSR the merchandise specified in List 2 which is attached to this protocol.
3. After complying with the request of the Government of Czechoslovakia for the reallocation of deliveries of textile products from Czechoslovakia to the USSR from the first quarter of 1949 to the third and fourth quarters of 1949, the USSR further agrees that as of 1 July 1949 the value of Soviet deliveries to Czechoslovakia shall exceed the value of Czechoslovak deliveries to the USSR by 300 million Kcs above the amount specified in Article 7 of the commercial agreement and the stipulation for payment between the Czechoslovak Republic and the Soviet Union, ratified on 11 December 1947.

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1947, three percent interest per year shall be paid from the credit balance derived from the reallocation of textile deliveries from Czechoslovakia to the USSR.

Drawn up in Moscow on 4 February 1949 in two original copies, in the Russian and Czech languages, both documents having the same validity.

The Ambassador of the Czechoslovak Republic

Deputy Minister of Foreign
Trade of the USSR.

(signed) B. Lastovicka

(signed) I. Semichastnov

Attachment to the supplementary protocol of 4 February 1949

LIST NO. 1

MERCHANDISE TO BE DELIVERED BY THE USSR TO THE CZECHOSLOVAK REPUBLIC IN THE YEAR 1949 IN ADDITION TO QUOTAS SPECIFIED IN THE PROTOCOL OF 8 OCTOBER 1948

<u>Designation of Goods</u>	<u>Quantity or Value in Kcs</u>
Naphtha, from Austria	50,000 Tons
Copper	4,000 "
Aluminum	5,000 "
Iron ore	300,000 "
Soviet synthetic rubber	45 "
Buna synthetic rubber	5,000 "
Ball bearings	25 Million Kcs
Soya beans	5,000 tons
Oak wood	2,000 m ³
Ferrophosphorus	50 tons
Ferromanganese "Affine"	100 "
Magnesium	100 "
Flax	6,000 "
Coarse wool	2,000 "
Short cotton fibers	100 "
Sunflower oil	400 "
Castor oil	100 "
Spermaceti oil	2 "
Tung oil	100 "
Spermaceti fat	4 "

This document is hereby regraded to
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letter of 16 October 1978 from the
Director of Central Intelligence to the
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Next Review Date: 2008

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Ethylene glycol	100 tons
Igelite	350 tons
Shellac	13 "
Diphenyl dimethylethane	20 "
Agar-Agar	1 "
Pipe tobacco	300 "
Casein	40 "
Horse hair	20 "
Graphite in lumps for the manufacture of pencils	100 "

Attachment to the supplementary protocol of 4 February 1949.

LIST NO. 2

MERCHANDISE TO BE DELIVERED BY THE CZECHOSLOVAK REPUBLIC TO THE SOVIET UNION IN THE YEAR 1949 IN ADDITION TO QUOTAS SPECIFIED IN THE PROTOCOL OF 8 OCTOBER 1948.

Designation of GoodsQuantity or Value in Kcs

Trucks, weighing seven and ten tons	350 units
Tatra "87" cars and Tatraplan	150 "
Sugar	52,000 tons
Leather shoes	162,000 pair
Rubber shoes	500,000 pair
Synthetic leather	2,000,000 Kcs.
Knitted fabrics	75,000,000 "
Oil cloth	10,000,000 "
Asbestos rubber products	4,000,000 "
Bicycle tires	100,000 units
Titanium white <i>Titanium white</i>	40 tons
Parchment paper	400 "
Bulbs	1,000,000 units
Utility glass and crystal	25,000,000 Kcs
Sewing machines	12,000 Kcs
Buttons	5,000,000 Kcs
Needles	2,000,000 Kcs
Skates	500,000 Kcs
Washing machines	12,000 Kcs
Enamel and aluminum kitchen utensils	15,000 Kcs

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Designation of Goods

Quantity or Value in Kcs

Hydrochloric acid	500 tons
Citric acid	160 "
Karlsbad salt	2,000,000 Kcs
Synthetic casings	10,000,000 meters
Malt	25,000 tons
Pharmaceutical products	10,000,000 Kcs

THE MINISTRY OF FOREIGN TRADE

c. j. II/1-3302/46-1949

Prague 10 March 1949
Prague, 10 March 1949

PROPOSAL FOR THE RESOLUTION OF THE GOVERNMENT FOR THE APPROVAL OF PROTOCOL OF 4 FEBRUARY 1949 SUPPLEMENTING THE EXCHANGE OF MERCHANDISE AGREEMENT BETWEEN CZECHOSLOVAKIA AND THE USSR.

Reviewed by Dr. Prochazka : extension 209

TO THE PRESIDIUUM OF THE GOVERNMENT

in PRAGUE A

The Czechoslovak Ambassador to the USSR, B. Lastovicka, and I. Semichastnov, Deputy Minister of Foreign Trade of the USSR, on 4 February 1949 in Moscow ratified the protocol supplementary to the protocol regarding the exchange of merchandise between Czechoslovakia and the USSR. The supplementary protocol includes List No. 1 which enumerates the merchandise to be delivered by the USSR to Czechoslovakia during 1949 in addition to the quotas specified in the protocol of 8 October 1948. Both the protocol and the lists have been prepared in two original copies, in the Russian and the Czech languages respectively, both protocols having the same validity.

The Ministry of Foreign Trade submits the protocol of 4 February 1949, which supplements the protocol regarding the exchange of merchandise between Czechoslovakia and the USSR, and two lists, each of them in the Czech and Russian languages, and a report explaining the reasons for the supplementary protocol with the recommendation that the Government pass the following resolution:

The Government accepts the proposal of the Minister of Foreign Trade submitted with approval of the Minister of Foreign Affairs as specified by the Ministry of Foreign Trade and

- a. approves the supplementary protocol ratified in Moscow on 4 February 1949 in Moscow by the Ambassador of the Czechoslovak Republic and I. Semichastnov, Deputy Minister of Foreign Trade of the USSR. This protocol is a supplement to the protocol of 8 October 1948 regarding the exchange of merchandise between Czechoslovakia and the USSR.
- b. approves the additions to the protocol under a that is List No. 1, enumerating merchandise to be delivered by the USSR to Czechoslovakia during 1949 in addition to quotas specified in the protocol of 8 October 1948 and List No. 2 enumerating merchandise to be delivered by Czechoslovakia to the USSR during 1949 in addition to quotas specified in the protocol of 8 October 1948.

For action to: The Minister of Foreign Trade and other responsible members of the Government.

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In accordance with Article 2 of the commercial agreement concluded between the Czechoslovak Republic and the Soviet Union on 11 December 1947 and approved by the third government (sic) in its 123rd meeting on 12 December 1947, it is necessary to establish fixed quotas for merchandise which is to be mutually exchanged by the respective governments three months before the deliveries are scheduled, every year for the duration of this agreement. According to this article, quotas were established to which both governments agreed on 8 October 1948, and I duly informed this government regarding the quotas on 2 November 1948.

In order to obtain, for the first year of the Five Year Plan, important raw materials such as semi-finished products and capital goods, which are difficult to import from the capitalist countries because of political, commercial, and foreign exchange problems, and to strengthen economic relations with the Soviet Union and increase the volume of merchandise exchanged between both countries, the Czechoslovak Republic initiated official negotiations with the Soviet Union on this subject in December 1948. The Czechoslovak delegation agreed that the volume of merchandise to be exchanged during 1949 should be 45 percent higher than that exchanged during the year of 1948. Therefore, if we imported merchandise valued at 7.6 billion Kcs during 1948, our imports from the Soviet Union during 1949 should increase an additional 3.4 billion Kcs. Consequently, we assume that during 1949, Czechoslovak imports from the Soviet Union will amount to 11 billion Kcs. According to the agreement of 8 October 1948 and the respective protocol signed in Moscow, the Czechoslovak Republic is to import merchandise valued at 8.7 billion Kcs, and an additional import quota of raw materials, semi-finished products and capital goods valued at 2.3 million Kcs is yet to be negotiated.

In addition to the aforementioned arrangement, the Czechoslovak commercial delegation also agreed to import other raw materials, notably non-ferrous metals, from the Soviet Union. Further negotiations regarding additional quotas which were requested by trade representatives of both countries have been separated into two distinct phases:

1. Delivery of Soviet raw materials and semi-finished products and delivery of Czechoslovak merchandise in payment for the Soviet products.
2. Negotiations are still in process regarding the delivery of Soviet capital goods for which Czechoslovak merchandise is to be used as payment.

The supplementary protocol of 4 February 1949 includes additional quotas of raw materials and semi-finished products to be imported by Czechoslovakia in accordance with List 1 and agricultural and industrial products to be exported by Czechoslovakia as specified in List 2. According to the terms of the import-export program regarding the exchange of merchandise valued at about one billion Kcs for both signatories, the Czechoslovak economy will benefit because the imports specified include industrial raw materials, semi-finished products, and essential raw materials, which are now exceedingly difficult to obtain from the capitalist countries. At the same time, about 52 percent of the exports specified are finished products, the greater part being products of light industry and the remaining 48 percent agricultural products such as sugar and malt.

The following are the more important import quotas:

Naphtha, from Austria	50,000 tons
Copper	4,000 "
Aluminum	5,000 "
Iron ore	300,000 "
Synthetic rubber (buna)	5,000 "

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Soya beans	5,000 tons
Flax	5,000 tons*
Sheep's wool	2,000 tons
Sunflower oil	400 tons

With reference to exports, it should be noted that in the past we have had some difficulty exporting certain light industry products and consumers' items, such as pharmaceutical products, artificial casings, kitchen utensils, buttons, household glassware, and malt.

Our delegation has asked the Soviet Government to agree that our deliveries of textile products, as specified in the agreement of 8 October 1948, shall begin some time during the second quarter of this year. Actually, this means that the prescribed quotas which were scheduled for delivery during the first quarter would be delivered during the third and fourth quarters of this year. The reason for this request was to assure a sufficient supply of textiles for our domestic market, which has been ration-free only since the beginning of this year. This subject was discussed in December of last year, and it has been included in paragraph 3 of the supplementary protocol of 4 February 1949. The quota of textile products for three quarter-years exclusive of the first quarter, cited in the original agreement with a value of 300 million Kcs, will be distributed equally in the third and fourth quarter along with the textile quota scheduled but not delivered to the Soviet Union in the first quarter. This increase is permissible according to Article 7 of the agreement concluded on 11 December 1947. In our case, this amount shall be handled as a short term credit on which three percent interest will be paid. In this connection, it should be noted that so far the present situation in the free domestic market has not necessitated the aforementioned method of delivering our quotas, and with the approval of the Minister for Domestic Trade, we shall start our deliveries to the Soviet Union in March of this year.

25X1 Comment: It should be noted that the amount of flax specified in List No. 1 of the Supplementary Protocol of 4 February 1949 is 1,000 tons more than the figure given in the Report Explaining the Reasons for the Supplementary Protocol. This variation may be an error which occurred in the process of translation.

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